

# New Business Manager Workshop

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**JULY 18, 2019**

**PRESENTED BY: DEPARTMENTS OF  
LEGISLATIVE AUDIT & DEPT. OF EDUCATION**

# Important Contacts:

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## DEPARTMENT OF EDUCATION

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## OTHER AGENCIES

### Rod Fortin, Dept. of Leg Audit

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### Wendy Semmler, Dept. of Rev.

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- (605) 773-4923

### ASBSD

- (605) 773-2500
- <http://asbsd.org/>



# Welcome

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Introductions of presenters

Introductions of participants

Survey years of experience at present job

What they hope to learn from attending this workshop? Have you attended previous debit/credit workshops?

# Who should you contact?

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DLA

DOE

DRR

ASBSD

Fellow Business Official

School Attorney

## Slide 4

### I have a question.....who should I contact?

Contact DLA, Department of Legislative Audit (Rod Fortin) if you have questions about:

- Accounting standards
- Annual financial reports – GASB statements
- Audits and auditors
- What fund is appropriate to use.
- Bid laws
- Debt service

Contact DOE, Department of Education (Susan or Bobbi) if you have questions about:

- State Aid calculations or budgeting state funds
- DOE's annual financial report
- State aid fall enrollment
- Coding
- Federal grant accounting
- ESSA – Every Student Succeeds Act
- Teacher compensation reporting and accountabilities
- Excess cash or fund balances

Contact DRR, Department of Revenue & Regulation (Wendy Semmler) if you have questions about:

- Property taxes
- Property tax requests
- Opt out
- Wind farm taxes
- Utility taxes
- Bank franchise taxes

Contact ASBSD, Associated School Boards of South Dakota (Wade Pogany, Gerry Kaufman) if you have questions about:

- School board issues
- School board minutes
- Legislative issues
- ASBSD health insurance
- School board membership
- Legal interpretations
- Development of school board policies
- School board elections

## Slide 4

Contact a fellow business manager if you have questions about:

- Using SUI, Software Unlimited, Inc. software
- School policies – commonly used
- Working with school boards
- Working with superintendents
- Budgeting

Contact your school attorney if you have questions about:

- Developing and adopting school policies
- Open enrollment issues
- Student issues
- Negotiated agreements
- Conflict of Interest questions
- Legal interpretation of codified law(s)

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# Using the Chart of Accounts (or how in the world do I code this!)

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What Fund?

What General Ledger Account?

What Revenue Account?

What Expenditure Account?

**WHERE** IS THE CHART OF ACCOUNTS TO USE FOR PUBLIC SCHOOL DISTRICT FINANCIAL ACCOUNTING?

[HTTP://LEGISLATIVEAUDIT.SD.GOV/RESOURCES/RESOURCES.ASPX](http://legislativeaudit.sd.gov/resources/resources.aspx)

**HOW** DO I FIGURE OUT WHAT FUND, ACCOUNT, OBJECT.... TO USE?

**WHY** DOES IT HAVE TO BE SO DIFFICULT!

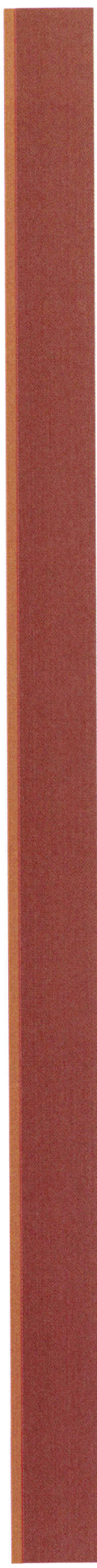
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Where, How and WHY???



- ❑ THE DEPARTMENT OF LEGISLATIVE AUDIT HAS THE RESPONSIBILITY TO PROVIDE A “UNIFORM” CHART OF ACCOUNTS (AND KEEP IT UPDATED) FOR SCHOOL DISTRICTS TO USE FOR FINANCIAL REPORTING.
  - ❑ CHART OF ACCOUNTS IS POSTED ON THEIR WEBSITE ALONG WITH MANY OTHER RESOURCES TO HELP KEEP GOOD FINANCIAL RECORDS.
  - ❑ GOVERNMENTAL ACCOUNTING MADE EASY!
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Where.....





- ❑ WELL..... THAT IS THE FOCUS OF OUR WORKSHOP TODAY
  - ❑ WE WILL FOCUS ON UNDERSTANDING THE CHART OF ACCOUNTS AND MAKE ALL FAMILIAR WITH HOW TO USE AND FIND THE APPROPRIATE CODES TO MAKE YOUR FINANCIAL REPORTS COMPLIANT WITH PRESCRIBED ACCOUNTING CODES AND COMPARABLE TO OTHER SCHOOL DISTRICTS.
  - ❑ PROVIDE ALL PARTICIPANTS WITH THE INFORMATION THEY NEED TO GO BACK AND REVIEW THEIR BUDGET AND SEE IF THEY ARE USING THE CHART OF ACCOUNTS CORRECTLY.
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# HOW .....





## ☐ WHY DO WE CARE IF OUR FINANCIAL DATA IS IN COMPLIANCE WITH CHART OF ACCOUNTS?

- ☐ Expenditures are always under scrutiny and compared to other school districts
  - By your school board
  - By your taxpayers
  - By the Legislature
  - By SD Dept. of Education
  - By USDOE

☐ NEW ESSA (EVERY STUDENT SUCCEEDS ACT) REQUIRES A NEW FISCAL REPORTING COMPONENT ON THE REPORT CARD – A COST PER STUDENT AT THE SCHOOL LEVEL – IN AGGREGATE BUT ALSO FOR FEDERAL EXPENDITURES ONLY.

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# WHY....

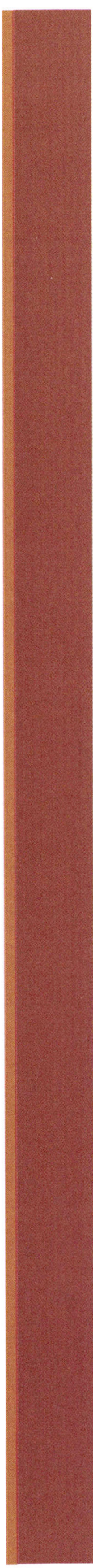
[HTTP://LEGISLATIVEAUDIT.SD.GOV/RESOURCES/SCHOOLS/ACCOUNTINGMANUAL/ACCOUNTINGMANUAL.ASPX](http://legislativeaudit.sd.gov/resources/schools/accountingmanual/accountingmanual.aspx)

## WHAT FUND?

THE FUND STRUCTURE IS THE CLASSIFICATION WHICH PROVIDES THE BASIS FOR THE FUND ACCOUNTING SYSTEM. CODING TRANSACTIONS BY FUND ALLOWS THE SCHOOL TO ACCOUNT FOR SPECIFIC RESOURCES (TAX LEVIES) AND THEIR EXPENDITURE, WHICH ARE REQUIRED BY LAW TO BE ACCOUNTED FOR IN A SPECIFIC FUND.

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# Lets get started – CODING101



- ❑ TWO DIGIT NUMBER IS ASSIGNED TO EACH FUND.
  - ❑ 10 GENERAL FUND – TO ACCOUNT FOR ALL FINANCIAL RESOURCES EXCEPT THOSE ACCOUNTED FOR IN ANOTHER FUND.
  - ❑ 20 SPECIAL REVENUE FUNDS – FUNDS THAT ALLOWS THE SCHOOL TO ACCOUNT FOR SPECIFIC RESOURCES (TAX LEVIES) AND THEIR EXPENDITURE, WHICH ARE REQUIRED BY LAW TO BE ACCOUNTED FOR IN A SPECIFIC FUND
    - 21 Capital Outlay Fund
    - 22 Special Education Fund
    - 23 Post Secondary Institute Fund
    - 24 Pension Fund (levy discontinued effective pay 2017) fund must be closed no later than 6/30/2020
    - 25 Building Fund
    - 26 Judgment Fund
    - 27 Impact Aid Fund
    - 29 Other Special Revenue Fund
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# Governmental Funds



## ❑ 30 DEBT SERVICE FUNDS – FUNDS FOR RECEIPT OF TAX REVENUES AND PAYMENT OF DEBT OBLIGATIONS

- If a district has more than one debt obligation they may use a separate fund for each (31, 32, 33, etc.)

## ❑ 40 CAPITAL PROJECT FUNDS – FUND USED FOR LARGE CAPITAL OUTLAY PROJECTS IN THE DISTRICT. ALLOWS DISTRICT TO KEEP ALL EXPENDITURES TOGETHER AND KNOW THE TOTAL COST OF A PROJECT.

- Similar to Debt Service – if more than one capital project is underway in the district a separate fund may be used for each project (41, 42, etc.)
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# More Governmental Funds



## ☐ 50 ENTERPRISE FUNDS – USED WHEN A PROFIT OR LOSS IS ANNUALLY CALCULATED AND REPORTED.

- 51 Food Service Fund
- 53 Other Enterprise Funds (daycare, preschool, credit recovery, etc.)
- SDCL 13-28-5 allows district to charge tuition for PK.
- SDCL 13-8-50 allows districts to charge for after school programs.
- SDCL 13-8-50.1 requires use of an enterprise fund.
- 52 & 54 Used by Post Secondary Programs

## ☐ 55 INTERNAL SERVICE FUNDS (NOT REPORTED TO DOE)

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# Proprietary Funds

- ☐ 71 AGENCY FUNDS – TO ACCOUNT FOR NON-SCHOOL FUNDS – DISTRICT IS A “FISCAL AGENT”, CLASS ACCOUNTS, CLUB ACCOUNTS, ETC.
  - ☐ 76 PRIVATE PURPOSE TRUST FUNDS – FUNDS DONATED FOR A SPECIFIED PURPOSE SUCH AS A SCHOLARSHIP FUND.
  - ☐ 81 PENSION TRUST FUND
  - ☐ 86 INVESTMENT TRUST FUND
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## Fiduciary Funds (not reported to DOE)





90 **GENERAL CAPITAL ASSETS** - CAPITAL ASSETS OF THE GOVERNMENT ARE NOT SPECIFICALLY RELATED TO ACTIVITIES REPORTED IN PROPRIETARY OR FIDUCIARY FUNDS. GENERAL CAPITAL ASSETS ARE ASSOCIATED WITH AND GENERALLY ARISE FROM GOVERNMENTAL ACTIVITIES. MOST OFTEN, THEY RESULT FROM EXPENDITURES OF GOVERNMENTAL FUND FINANCIAL RESOURCES. THEY SHOULD NOT BE REPORTED AS ASSETS IN GOVERNMENTAL FUNDS BUT SHOULD BE REPORTED IN THE GOVERNMENTAL ACTIVITIES COLUMN IN THE GOVERNMENT-WIDE FINANCIAL STATEMENTS.

00 **GENERAL LONG-TERM LIABILITIES** - THE UNMATURED PRINCIPAL OF BONDS, WARRANTS, NOTES OR OTHER FORMS OF NONCURRENT OR LONG-TERM GENERAL OBLIGATION INDEBTEDNESS. GENERAL LONG-TERM DEBT IS NOT LIMITED TO LIABILITIES ARISING FROM DEBT ISSUANCES, BUT MAY ALSO INCLUDE NONCURRENT LIABILITIES ON LEASE - PURCHASE AGREEMENTS AND OTHER COMMITMENTS THAT ARE NOT CURRENT LIABILITIES PROPERLY RECORDED IN GOVERNMENTAL FUNDS. GENERAL LONG-TERM LIABILITIES SHOULD NOT BE REPORTED AS LIABILITIES IN GOVERNMENTAL FUNDS, BUT SHOULD BE REPORTED IN THE GOVERNMENTAL ACTIVITIES COLUMN IN THE GOVERNMENT-WIDE STATEMENT OF NET POSITION.

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# Self Balancing Accounts

The general ledger account summary coding controls the asset, liability and equity accounts. These accounts provide the school with a picture of the financial position of a particular fund at a specific point in time. These accounts are the primary source of financial data to be used in the compilation of the financial statements.

[HTTP://LEGISLATIVEAUDIT.SD.GOV/RESOURCES/SCHOOLS/ACCOUNTINGMANUAL/SCHOOL\\_SECTION\\_2/SCHOOL\\_SECTION%202\\_GENERAL%20LEDGER-LISTING%20AND%20DEFINITIONS.PDF](http://legislativeaudit.sd.gov/resources/schools/accountingmanual/school_section_2/school_section%202_general%20ledger-listing%20and%20definitions.pdf)

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# GENERAL LEDGER ACCOUNTS



100	Current Assets
200	Capital Assets
300	Revenues (control account only)
400	Current Liabilities
500	Long Term Liabilities
600	Expenditures (control account only)
700	fund equity/net position

## GENERAL LEDGER ACCOUNTS

MAKE IT EASY FOR YOURSELF – KNOW HOW A DEBIT OR CREDIT ENTRY WILL IMPACT YOUR GENERAL LEDGER.

Type	Codes	Debit	Credit
Assets	100-300	Increases (+)	Decreases (-)
Liabilities	400-500	Decreases (-)	Increases (+)
Fund Equity	700	Decreases (-)	Increases (+)
Revenues & Other Sources	1000-5000	Decreases (-)	Increases (+)
Expenditures & Other Uses	1000-8000	Increases (+)	Decreases (-)



THE REVENUE CLASSIFICATIONS PROVIDE A MEANS OF CODING THE REVENUE RECEIVED BY THE SCHOOL FROM VARIOUS SOURCES. REVENUES ARE DEFINED AS ADDITIONS TO ASSETS WHICH DO NOT INCREASE A LIABILITY, DO NOT REPRESENT A RECOVERY OF A CURRENT EXPENDITURE, AND DO NOT REPRESENT RESOURCES RECEIVED FROM WITHIN THE SCHOOL (E.G., FROM ANOTHER FUND). THE RESOURCES RECEIVED FROM ANOTHER FUND SHOULD BE CLASSIFIED AND CODED AS "OTHER FINANCING SOURCES."

[HTTP://LEGISLATIVEAUDIT.SD.GOV/RESOURCES/SCHOOLS/ACCOUNTINGMANUAL/SCHOOL\\_SECTION\\_2/SCHOOL\\_SECTION%202\\_REVENUES-LISTING%20AND%20DEFINITIONS.PDF](http://legislativeaudit.sd.gov/resources/schools/accountingmanual/school_section_2/school_section%202_revenues-listing%20and%20definitions.pdf)

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# REVENUES.....

The types of revenue from each source, (1) local, (2) intermediate, (3) state, (4) federal, and (5) other, are defined and listed below:

1. Revenue from LOCAL sources is the amount of money produced within the boundaries of the school district and available to the school district for its use. Money collected by another governmental unit as an *agent* of the school district is recorded as revenue from local sources.
2. Revenue from INTERMEDIATE sources is revenue from funds collected by an intermediate administrative unit or a political subdivision between the school district and the state, and distributed to the school district.
3. Revenue from STATE sources is revenue from funds collected by the state and distributed to school district.
4. Revenue from FEDERAL sources is revenue from funds collected by the federal government and distributed to school district. It is unimportant whether the funds are distributed directly to the school district by the federal government or through some intervening agency such as the state. A specific revenue account should be used for each federal revenue source.
5. Revenue from OTHER sources is individual fund revenue that comes from within the school district. Although these resources are individual fund revenues, they are not revenues to the school district as a whole. Generally accepted accounting principles indicate these resources be distinguished from revenues by reporting them as "Other Financing Sources."

## Revenues Continued....



- ☐ 1000 LOCAL REVENUES
    - ☐ Property Taxes, admissions, donations, interest, etc.
  - ☐ 2000 INTERMEDIATE (COUNTY) REVENUES
    - ☐ County apportionment, etc.
  - ☐ 3000 STATE REVENUES
    - ☐ State aid, state apportionment, bank franchise, wind farm, etc.
  - ☐ 4000 FEDERAL REVENUES (LOOK FOR A CFDA #)
    - ☐ Title I, Title II, IDEA, mineral leasing, Indian Education, Impact Aid, etc.
  - ☐ 5000 OTHER FINANCING SOURCES
    - ☐ Debt issue proceeds, sale of surplus property, transfers in, etc.
  - ☐ CFDA – CATALOG OF FEDERAL DOMESTIC ASSISTANCE, PROVIDES GUIDANCE ON HOW THE GRANT MAY BE UTILIZED
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- [HTTPS://WWW.CFDA.GOV/](https://www.cfda.gov/)

## Revenue Codes:

- ❑ CODING BY EXPENDITURE CLASSIFICATION PROVIDES A MEANS OF CONTROLLING AND IDENTIFYING WHAT THE RESOURCES RECEIVED WERE USED FOR AND WHICH DEPARTMENT OR ACTIVITY UTILIZED THEM.
  - ❑ THE MINIMUM CODING REQUIREMENT FOR EXPENDITURES IS BY FUND, ACTIVITY AND OBJECT.
  - ❑ FINANCIAL SOFTWARE WILL ALSO PROVIDE ADDITION CODING FIELDS TO “TRACK” BY ACTIVITY, FUNDING SOURCE, FACILITY, ETC. BY FUND, FUNCTION, OPERATIONAL UNIT, OBJECT, SUBOBJECT AND FACILITY.
    - Restricted federal grants **MUST** be tracked.
    - To aid for future calculations by school level – consider using the facility code to report expenditures by school (helpful hint: use the state assigned school numbers for this purpose ☺).
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# EXPENDITURES



1000 INSTRUCTION - ACTIVITIES DEALING DIRECTLY WITH THE TEACHING OF STUDENTS, OR THE INTERACTION BETWEEN TEACHER AND STUDENTS. TEACHING MAY BE PROVIDED FOR STUDENTS IN A SCHOOL CLASSROOM, IN ANOTHER LOCATION SUCH AS A HOME OR HOSPITAL, AND IN OTHER LEARNING SITUATIONS SUCH AS THOSE INVOLVING COCURRICULAR ACTIVITIES. IT MAY ALSO BE PROVIDED THROUGH SOME OTHER APPROVED MEDIUM SUCH AS TELEVISION, RADIO, TELEPHONE AND CORRESPONDENCE. INCLUDED HERE ARE THE ACTIVITIES OF AIDES OR ASSISTANTS OF ANY TYPE (CLERK, GRADERS, TEACHING MACHINES, ETC.) WHICH ASSIST IN THE INSTRUCTIONAL PROCESS. COSTS CODED TO INSTRUCTION WILL GENERALLY BE FOR THE TYPE OF CLASS THAT WILL RESULT IN CREDITS TOWARDS GRADUATION OR A GENERAL EDUCATION DIPLOMA (GED).

EXAMPLE: ELEMENTARY, MIDDLE SCHOOL, HIGH SCHOOL, ALTERNATIVE, PRESCHOOL, SPECIAL PROGRAMS.

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## 1000 Instructional Expenditures



2000 SUPPORT SERVICES - SUPPORT SERVICES ARE THOSE SERVICES WHICH PROVIDE ADMINISTRATIVE, TECHNICAL, PERSONAL (SUCH AS GUIDANCE AND HEALTH), AND LOGISTICAL SUPPORT TO FACILITATE AND ENHANCE INSTRUCTION AND, TO A LESSER DEGREE, COMMUNITY SERVICES. SUPPORT SERVICES EXIST TO SUSTAIN AND ENHANCE INSTRUCTION, RATHER THAN AS ENTITIES WITHIN THEMSELVES.

EXAMPLES: STUDENT SUPPORT SERVICES (LIBRARY, GUIDANCE, ATTENDANCE, NURSING), TEACHER SUPPORT (PROFESSIONAL DEVELOPMENT), DISTRICT & SCHOOL ADMINISTRATION, OPERATION AND MAINTENANCE OF PLANT, STUDENT TRANSPORTATION, ETC.

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## 2000 Support Services

**3000 COMMUNITY SERVICES** - ACTIVITIES WHICH ARE NOT DIRECTLY RELATED TO THE PROVISION OF EDUCATION FOR STUDENTS IN A SCHOOL DISTRICT. THESE INCLUDE SERVICES SUCH AS COMMUNITY RECREATION PROGRAMS, CIVIC ACTIVITIES, PUBLIC LIBRARIES, PROGRAMS OF CUSTODY AND CARE OF CHILDREN AND COMMUNITY WELFARE ACTIVITIES PROVIDED BY THE SCHOOL DISTRICT FOR THE COMMUNITY AS A WHOLE OR SOME SEGMENT OF THE COMMUNITY.

EXAMPLES: COMMUNITY SERVICES, PUBLIC LIBRARY, AFTER SCHOOL PROGRAMS, NONPUBLIC SCHOOL SERVICES.

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## 3000 Community Services




4000 NONPROGRAMMED CHARGES - CONDUIT-TYPE  
(OUTGOING TRANSFERS) PAYMENTS TO OTHER LEAS  
OR ADMINISTRATIVE UNITS IN THE STATE OR IN  
ANOTHER STATE.

EXAMPLES: EARLY RETIREMENT, SCHOLARSHIPS,  
UNEMPLOYMENT CLAIMS.

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4000 Nonprogrammed Charges



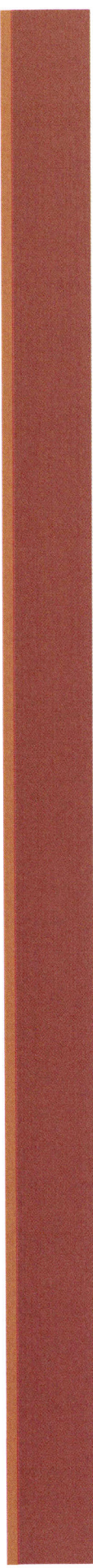


5000 DEBT SERVICES - THE SERVICING OF THE DEBT  
OF A SCHOOL DISTRICT.

EXAMPLE: ANNUAL PRINCIPLE AND INTEREST  
PAYMENTS OF DEBT, FEES ASSOCIATED WITH DEBT,  
ETC.

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# 5000 Debt Service



6000 COCURRICULAR ACTIVITIES - COCURRICULAR ACTIVITIES (EXPERIENCES) ARE COMPRISED OF THE GROUP OF SCHOOL-SPONSORED ACTIVITIES, UNDER THE GUIDANCE OR SUPERVISION OF QUALIFIED ADULTS, DESIGNED TO PROVIDE OPPORTUNITIES FOR STUDENTS TO PARTICIPATE IN SUCH EXPERIENCES, PUBLIC EVENTS OR COMBINATION OF THESE, FOR SUCH PURPOSES AS MOTIVATION, ENJOYMENT AND IMPROVEMENT OF SKILLS. IN PRACTICE, PARTICIPATION USUALLY IS NOT REQUIRED AND CREDIT USUALLY IS NOT GIVEN. WHEN PARTICIPATION IS REQUIRED OR CREDIT IS GIVEN, THE ACTIVITY GENERALLY IS CONSIDERED TO BE A COURSE. THE GENERALLY ACCEPTED DIFFERENTIAL BETWEEN EXTRA-CURRICULAR AND CO-CURRICULAR IS THAT EXTRA-CURRICULAR ACTIVITIES SUCH AS BASKETBALL HAVE NO DIRECT RELATIONSHIP TO A CLASS WHILE CO-CURRICULAR ACTIVITIES SUCH AS DEBATE (SPEECH) OR CLASS PLAYS (DRAMA OR ENGLISH) HAS A RELATIONSHIP TO A CLASS.

EXAMPLE: MALES ACTIVITIES, FEMALE ACTIVITIES, CO-CURRICULAR TRANSPORTATION.

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## 6000 Cocurricular Activities

- ❑ 100 SALARIES
    - Payments to employees of the school district
  - ❑ 200 BENEFITS
    - Payments by the school district on behalf of employees
  - ❑ 300 PURCHASED SERVICES
    - Personal services from non-employees and other services purchased by the school district (services provided by another district, tuition, services to operate, repaid, maintain, insure property owned by the school district, transportation & travel)
  - ❑ 400 SUPPLIES
    - Consumable material items purchased by the school district (tech supplies, motor fuel, school supplies, textbooks, instructional software, food, non-capitalized equipment)
  - ❑ 500 CAPITAL ACQUISITIONS
    - Purchase of capital assets, capital leases
  - ❑ 600 OTHER
    - Debt service payments, dues & fees
- 

## Object Codes



- ❑ 800      LOSS OF CAPITAL ASSETS
    - Value of capital asset over its sale or other disposition proceeds
  
  - ❑ 900      DEPRECIATION OF CAPITAL ASSETS
    - Loss of value of capital assets because of wear and tear through use, elapse of time, etc.
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# Object Codes

100	Salaries
110	Regular Salaries
111	Certified Staff Salaries
112	Instructional Aides Salaries
113	Administrative Salaries
114	Classified Staff Wages
119	Other Compensation
120	Temporary Salaries
130	Overtime Salaries
140	Compensated Absence Salaries
150	Early Retirement Payment
190	Other Salaries
200	Employee Benefits
210	Social Security/Medicare
220	Employees' Retirement System
230	Group Health, Life Insurance, Vision or Dental Insurance
240	Worker's Compensation Insurance
250	Unemployment Insurance
260	Disability Insurance
270	Annuities
290	Other Employee Benefits
300	Purchased Services
310	Professional, Technical or Specialized Services
311	Services Purchased from a School District In-State
312	Services Purchased from a School District Out-of-State
313	Services Purchased from a Cooperative
314	Services Purchased from a Consortium
315	Registration Fees
319	Other Professional, Technical and Specialized Services
320	Property Services
321	Public Utility Services
322	Cleaning Services
323	Repairs and Maintenance Services
325	Rentals
329	Other Property Services
330	Transportation Services
331	Contracted Bus Service
332	Mileage Paid to Parents
333	Payments in Lieu of Transportation
334	Travel
335	Transportation--Common Carrier or Bus Service
339	Other Transportation Services
340	Communication
350	Advertising
360	Printing and Binding
370	Tuition
371	Payments to Other School Districts In-State
372	Payments to Other School Districts Out-of-State
373	Payments to Other Educational Institutions

# Object Codes

374 Interfund Tuition Payments  
 379 All Other Tuition  
390 Other Purchased Services  
 391 Residential Services  
 393 Distance Learning Fees  
 399 All Other Purchased Services  
 400 Supplies and Materials  
410 Consumable Supplies  
 411 Non-Technology Supplies  
 412 Technology Supplies  
 413 Motor Fuel (gas and diesel for vehicles and buses; heating fuel is a utility cost-321)  
420 Textbooks and Periodicals  
 421 Printed Textbooks  
 422 Instructional Software  
 423 Electronic Textbooks  
 424 Instructional Workbooks and Classroom Subscriptions  
 425 Periodicals  
 450 Warehouse Inventory Adjustment  
460 Food  
 461 Purchased Food  
 462 Donated Food (commodities)  
470 Non-consumable Supplies  
 471 Computer Equipment (non-capitalized)  
 472 Non-Instructional Computer Software (administrative)  
 473 Computer Licensing Fees  
 479 Other Non-consumable Supplies  
 500 Capital Acquisitions  
 510 Land  
 520 Buildings  
 530 Improvements Other Than Buildings  
540 Equipment  
 541 Computer Equipment  
 549 Other Equipment  
 550 Vehicles (licensed)  
 560 Library Media  
 590 Other Capital Acquisitions  
600 Other Objects  
 610 Debt Service  
 611 Redemption of Principal  
 612 Interest  
 613 Fiscal Agent's Fees  
 614 Issuance Costs  
 615 Refunding Escrow  
 616 Amortization of Bond Issuance and Other Debt-Related Costs  
 617 Amortization of Discount on Issuance of Bonds  
 619 Other Debt Service Costs  
 640 Dues and Fees  
650 Insurance and Judgments  
 651 Property, Liability and Fidelity Insurance  
 653 Judgments Against the School District  
 654 Self Insurance Claims  
 659 Other Insurance and Judgments  
 670 Student Loan Match  
 680 Scholarships

# Object Codes



690	Miscellaneous Objects
800	<u>Loss of Capital Assets</u>
810	Loss on Disposal of Capital Assets
820	Loss on Damage to Capital Assets
900	<u>Depreciation of Capital Assets</u>
910	Depreciation--Local Funds
920	Depreciation--Federal Assistance
930	Amortization

# Object Codes

## 700 FUND EQUITY

**FUND EQUITY** ACCOUNTS WHICH SHOW THE EXCESS OF THE ASSETS OF A FUND OVER ITS LIABILITIES AND ACCOUNTS WHICH ARE SEGREGATED AND EARTAGGED FOR A SPECIFIC FUTURE USE.

NET POSITION - ACCOUNT TO REFLECT THE DIFFERENCE BETWEEN A GOVERNMENT'S ASSETS AND ITS LIABILITIES. NET POSITION SHOULD BE DISPLAYED IN THREE COMPONENTS - A) NET INVESTMENT IN CAPITAL ASSETS; B) RESTRICTED (DISTINGUISHING BETWEEN MAJOR CATEGORIES OF RESTRICTIONS) AND C) UNRESTRICTED. GOVERNMENTAL FUNDS USE THE FUND BALANCE METHOD OF REPORTING EQUITY, EXCEPT IN THE GOVERNMENT WIDE FINANCIAL STATEMENTS, THE NET POSITION METHOD IS USED. PROPRIETARY AND FIDUCIARY FUNDS ONLY USE THE NET POSITION METHOD OF RECORDING AND REPORTING EQUITY.

## Fund Equity Accounts

# Fund Balances

## ☐ 710NON-SPENDABLE

- ☐ 711 Inventory
- ☐ 712 Prepaids
- ☐ 713 Resale
- ☐ 714 Advances
- ☐ 718 Other Non-Spendable
- ☐ 719 Permanent Fund Principal

## ☐ 720RESTRICTED – RESTRICTED EITHER BY EXTERNAL REQUIREMENTS OR BY LAWS OR REGULATIONS OF OTHER GOVERNMENTS

- ☐ 721 Debt Service
- ☐ 722 Capital Projects
- ☐ 723 Capital Outlay
- ☐ 724 Special Education
- ☐ 725 Pension
- ☐ 726 Post-Secondary
- ☐ 727 Auditorium Building
- ☐ 728 Judgment



# Fund Balances

- ❑ 740 COMMITTED – CAN ONLY BE USED FOR SPECIFIC PURPOSES PURSUANT TO CONSTRAINTS IMPOSED BY FORMAL ACTION OF THE GOVERNING BOARD
- ❑ 750 ASSIGNED – AMOUNTS CONSTRAINED BY GOVERNMENTS INTENT TO BE USED FOR A SPECIFIC PURPOSE BUT ARE NEITHER RESTRICTED NOR COMMITTED (SUBSEQUENT YEAR'S BUDGET, UNEMPLOYMENT, ETC.)

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- ❑ 760 UNASSIGNED – GENERAL FUND SHOULD BE THE ONLY FUND THAT REPORTS A **POSITIVE** UNASSIGNED FUND BALANCE (**NEGATIVE** FUND BALANCES FOR RESTRICTED FUNDS SHOULD USE 760 TO REPORT FUND BALANCES)

PROPRIETARY AND FIDUCIARY FUNDS ONLY USE THE  
NET POSITION METHOD OF RECORDING AND  
REPORTING EQUITY.

☐ 706      NET INVESTMENT IN CAPITAL  
ASSETS

☐ 707      RESTRICTED NET POSITION

☐ 708      UNRESTRICTED NET POSITION

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# Net Position





### CASH MANAGEMENT:

Some federal programs receive funds in advance from the grantor agency. Funds should be drawn only in amounts necessary to meet immediate needs or to cover disbursements already made. Cash management would not apply to federal programs which are on a reimbursement basis. Administrative controls and accounting controls should be established to control cash flow of federal funds.

### OTHER FEDERAL REQUIREMENTS:

- Davis Bacon Act - wage rates for construction laborers and mechanics
- Federal Financial Reporting
- Allowable Cost Principles
- Allowable Activities
- Eligibility
- Level of Effort
- Monitoring Subrecipients
- DOE requires that ALL restricted federal grant expenditures must be identifiable (tracked). SUI provides additional coding fields that may be used for this purpose.

## Federal Grants –

School districts receiving federal funds also inherit the responsibilities of the grant agreements to comply with specific federal laws and account requirements. Districts must have a good system of internal accounting and administrative controls.



□ ALONG WITH OUR DOLLARS & SENSE WITH DOE CONFERENCE CALLS SCHEDULE EVERY OTHER MONTH (SEPTEMBER, NOVEMBER, JANUARY, MARCH AND MAY) THERE IS TYPICALLY A “CODING TIP OF THE MONTH”.

□ CODING TIPS ARE POSTED AT THE FOLLOWING WEBSITE:

[HTTP://WWW.DOE.SD.GOV/OFM/CODINGTIP.ASPX](http://www.doe.sd.gov/ofm/codingtip.aspx)

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# Coding Tip of Month

<input type="checkbox"/> DISTRICT PAYS FOR TEACHER TO ATTEND COLLEGE CLASSES?	<input type="checkbox"/> Just received debt proceeds for large construction project?
<input type="checkbox"/> NEW TEACHER RECRUITMENT – DISTRICT PAYS STUDENT LOANS?	<input type="checkbox"/> Sale of surplus property? Insurance proceeds?
<input type="checkbox"/> CLASS IS BUILDING SHEDS FOR RESALE?	<input type="checkbox"/> Roof repair or replacement – is this the same or different?
<input type="checkbox"/> COPIER LEASE?	<input type="checkbox"/> After school program? Driver's Education?
<input type="checkbox"/> STUDENT IS RESIDENTIALLY PLACED AT LIFESCAPE?	<input type="checkbox"/> Loan from General Fund to Capital Outlay Fund? Transfer?
<input type="checkbox"/> STUDENT ATTENDS A DAY PROGRAM AT SUMMIT OAKS?	<input type="checkbox"/> Donation from PTA for new playground equipment?
<input type="checkbox"/> DEBT ISSUE PROCEEDS?	<input type="checkbox"/> New Title IV, Part A grant?
<input type="checkbox"/> TERM BOND VS SERIAL BOND?	

How should I code this one? What fund? What function?

# Government vs Private Sector

## What are the differences?

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Funds & Fund Equity Accounts

Budgeting

Bid Laws

Compliance

- Federal Regulations
- State Statute
- Governmental Accounting Standards

Records Retention



## FUND EQUITY ACCOUNTS

The following fund balance accounts are used to report the equity of Governmental Funds: (GASB 54)

**710 Nonspendable** – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventory – 711

Prepays – 712, etc.

**720 Restricted** – amounts restricted that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Debit Service – 721

Capital Projects – 722

Capital Outlay - 723

SPED - 724

Pension – 725, etc.

**A restricted fund balance may NOT be negative. If negative the appropriate fund equity account to use is 760.**

**740 Committed** – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the district's governing board.

Building Project

**750 Assigned** – amounts applied to subsequent year's budgets

**760 Unassigned** – typically the remaining balance of the General Fund

Review Note: Amount applied to finance subsequent year's budget is Assigned Fund Balance in the General Fund, however not assigned Fund Balance in Special Revenue Funds because amounts are already restricted, committed or assigned for another purpose

### Net Asset Classifications

GASB 34 promulgates that net assets be classified into the following three categories:

1. (706) Invested in capital assets, net of related debt (food service)
2. (707) Restricted net assets
3. (708) Unrestricted net assets

Net asset reporting is used by proprietary (food service and new charging funds), fiduciary (scholarship funds) and G-W statements.

The first category should reflect the cost of capital assets, adjusted for any accumulated depreciation, as well as for any debt associated with their acquisition, construction or improvement.

The "restricted net assets" category is designed to reflect net assets that are subject to restrictions that are beyond the government's control. Qualifying restrictions for this purpose include the following:

- a. Restrictions that are externally imposed (e.g., by creditors, grantors or contributors)
- b. Restrictions imposed by law through constitutional provisions or enabling legislation.

Any remaining balance of net assets that does not fit the previous two categories is to be reported as "unrestricted net assets." GASB 34 does not permit the reporting of designations on the face of the government-wide statement of net assets.

Review Note: Unrestricted Net Assets of Enterprise Fund (Food Service, Driver's Ed.) should not be restricted net assets on the Statement of Net Assets (Comp. Q+A 7.24.28).

## **BUDGETARY ACCOUNTING**

The Governmental Accounting Standards Board recommends that every fund have a budget. However, not all funds should have fixed budgets (appropriations). Fixed budgets should be adopted for all governmental fund types; while flexible budgets should be adopted for proprietary fund types. Trust and Agency fund types (fiduciary funds) need not have a budget since they are normally controlled by other means. South Dakota Codified Laws (SDCL) 13-11-2 requires budgets for all school district funds, except trust and agency funds.

**More detailed information about the budgeting process will be discussed on Slide 14.**

## **BID LAWS**

<http://legislativeaudit.sd.gov/docs/Bid%20Booklet%202013.pdf>

The bid booklet is prepared for the use of local government officials. Its use is primarily for a ready reference and guideline for bid procedures and requirements. Specific questions or unusual matters should be directed to the appropriate legal officials for resolution.

User of the guide should be cognizant of bid law updates and recent interpretations. Even though the guide will be periodically updated, changes are ongoing and need to be addressed in relation to each transaction conducted.

## **RECORDS RETENTION**

<http://boa.sd.gov/divisions/records/>

Records Management provides services that relate to the creation, utilization, maintenance, retention, disposal and preservation of records. It establishes records retention and destruction schedules and actively encourages adherence to those schedule.

SDCL 1-27-13 and 1-27-14 require that each governmental agency develop record retention and destruction schedules. agencies, institutions, and regional offices can obtain assistance with records inventory, appraisal, and schedule drafting by writing or calling Records Management at (605) 773-3589,



# State Funding

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State Aid

Teacher Compensation Accountabilities

State Apportionment

Other Revenues

State Grants

State Payment Lookup

## **General Fund State Aid Funding Formula**

Website: <http://doe.sd.gov/ofm/statefunding.aspx>

- Annual count of student enrollments on the last Friday of September
  - Count does NOT include the following:
    - PK or EC students
    - Home school students
    - Students over 21 years of age
    - Student for whom tuition is paid to the district
    - Students that have already graduated – if you have a student that continues until the age of 21 – do not report an ending status of “student graduated”
  - Count DOES include:
    - Open-enrolled students
    - Part-time students (ADM is based on reported % of day enrollment)
    - Student for whom the district pays tuition
- General Aid Funding Formula Count – based on fall count of student in the current school year (FY2019 calculations will be based on fall 2018 student enrollments)
- See DOE policy regarding count of students moving between districts on the count date <http://www.doe.sd.gov/ofm/documents/SAFEPolicy.pdf>
- History of your district’s fall counts can be found <http://www.doe.sd.gov/ofm/statefunding.aspx>

### General State Aid Need Calculation SDCL 13-13-10.1,(5)

- Step 1: Divide the current year fall enrollment by the target teacher ratio factor (factor is based on enrollments and ranges from 12:1 to 15:1)
- Step 2: If applicable, divide Limited English proficiency (LEP) adjustment by the target teacher ratio factor;
- Step 3: Add the results of steps 1 & 2;
- Step 4: Multiply the result of step 3 by the target teacher compensation;
- Step 5: Multiply the product of step 4 by the overhead rate; and
- Step 6: Add the products of steps 4 & 5.

### General State Aid Calculation (SDCL 13-13-73)

- State Aid = District Need minus Local Effort
  - By statute DOE must divide the total need in half and state aid for each half is  $\frac{1}{2}$  of Need minus  $\frac{1}{2}$  local effort (property taxes and other revenues, if applicable)
- Total Local Effort – sum of the following:
  - $\frac{1}{2}$  of the Pay 2019 local effort valuation x maximum GF levies

- ½ of the Pay 2020 local effort valuation x maximum GF levies
- Equalized Other Revenues (see DOE budget website for any amount of other revenue equalized for FY2019 or FY2020)
- Opt out revenues or levying less than the maximum amount do NOT impact state aid calculations
- State Aid paid to district in 12 monthly payments; due to change to using only current year student enrollment counts the July through October payments.
- All DOE calculations and monthly payments are posted on web site for your review - <http://www.doe.sd.gov/ofm/statefunding.aspx>
- Target Teacher Salary – annual increases by CPI or 3%, whichever is less

#### History of GF Levies and Target Teacher Salary:

- Current funding formula first utilized for funding school districts in July 2016
- FY2020 target teacher salary = \$50,360.26 (recognized benefit costs = 29% and overhead = 33.06%). FY2019 target teacher salary = \$49,131.96, overhead rate = 31.67%.
- In 1997 the student PSA = \$3,350; GF levies for pay 1997: ag-\$5.75; oo-\$9.20 and non-ag-\$16.75 (see website <http://www.doe.sd.gov/ofm/statefunding.aspx> )
- History of special education disability funding levels is also included on the above website.

#### State Aid Issue Brief:

A narrative explanation of the general state aid funding formula is also posted to the above referenced website. This document is updated annually following the legislative session. This is a good reference document for school board members or anyone not working with the funding formula on a regular basis.

#### Other Recent Legislative Changes:

- Teacher compensation accountability; for FY2019 the “average teacher compensation” may not be less than the calculated average reported for FY2017.
- Cap on cash reserves; in FY2020 (based on FY2019 data) districts may be penalized if their lowest reported monthly cash balance exceeds the prescribed limits for their district. Limits range from 25% to 40% of the total general fund expenditures depending on the enrollment counts of the districts.
- Governor appointed a 5 member board (School Finance & Accountability board) to consider requests to waive the limits in special circumstances.
- Districts may operate pension fund until 6/30/2020 and at that time must transfer any remaining funds to the general fund.



- Capital Outlay changes included the following:
  - Allows up to 45% of the capital outlay property tax revenues each fiscal year to be transferred to the general fund and used for any general fund purpose. There is a permanent change there was no end date to this new flexibility.
  - Requires districts to make tax request in a dollar amount – not a tax levy amount.
  - Limits future growth of capital outlay levies to CPI and growth in valuation only through pay 2020.
  - Beginning in FY2021 – alternative maximum based on \$2,800 per student plus annual debt payments if entered into prior to FY2017.
- Other Revenue Equalization
  - 6 other revenues; utility taxes, local in lieu of taxes, county apportionment, county in lieu of taxes, wind farm and bank franchise taxes
  - Phase in process to equalize – each district has a “hold harmless” base and any revenue collected above this amount is local effort and equalized in the general education funding calculations
  - New wind farms taxes will retain revenue outside formula for first 5 years, phased in next five years.
- Allowance of an Alternative Formula – for districts with very high “other revenues” this option may be requested annually prior to July 1<sup>st</sup>.

Sparsity Funding (SDCL 13-13-79):

- Funding – outside the general aid formula – for “sparse” school districts.
- A sparse school district must meet all the below criteria:
  - State aid fall enrollment of less than 501 students
  - Land area of the school district must be greater than 400 sq. miles
  - State Aid fall enrollment per sq. mile must be 0.5 or greater
  - Miles to nearest public high school is greater than 14 miles
  - School district must request the maximum general fund levies allowed
  - School district must operate a secondary attendance center
- If yes to all the above – worksheet to calculate sparsity funding is posted on website - <http://www.doe.sd.gov/ofm/schoolbudget.aspx>
- Maximum funding for sparse districts is \$110,000

## **STATE APPORTIONMENT**

State apportionment is an annual payment from the Office of School and Public Lands. This payment is made in February and allocates on a per student basis (includes only resident district students K-12, see document "How many different ways are students counted and reported by DOE?").

## **STATE PAYMENT LOOKUP**

Use the below link to enter the exact amount of the payment and your district vendor number to see information on a state payment. On left hand side of screen – click on "Lookup by Amount".

<https://bfm.sd.gov/vendor/index.asp>

# Budgeting

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Steps to preparing a good budget

Supplementing a budget

How to budget the use of fund balance as a means of finance?



## **BUDGETS AND BUDGETARY ACCOUNTING**

The Governmental Accounting Standards Board recommends that every fund have a budget. However, not all funds should have fixed budgets (appropriations). Fixed budgets should be adopted for all governmental fund types; while flexible budgets should be adopted for proprietary fund types. Trust and Agency fund types (fiduciary funds) need not have a budget since they are normally controlled by other means. South Dakota Codified Laws (SDCL) 13-11-2 requires budgets for all school district funds, except trust and agency funds.

### **I. What is a budget?**

The budget is a comprehensive plan which sets forth the anticipated expenditures for the operation of a school district fund for a given fiscal year, and the means of financing them. An appropriation gives the school board the authority to expend the financial resources made available to the school district.

The School Accounting Manual, Section II, contains the Chart of Accounts that was used in the workbook examples. As can be seen by comparing the Chart of Accounts to the sample budget worksheets, the lowest level of detail shown in the Chart of Accounts was not used. The level of detail at which the budget is prepared, and adopted, will depend on the level of budgetary control the school board wants. Each school district must adapt the Chart of Accounts to meet its needs. Any Chart of Accounts revisions must be documented so interested parties can determine what the various code numbers and account captions represent.

### **II. Starting the Budget Process**

The budget process should begin after enrollments for the next year are projected and the curriculum is determined. Only then can preliminary costs be estimated. The business manager should enlist the help of key department heads or other persons responsible for the various programs. These could include the superintendent, the principals, the head custodian, and/or other department heads.

### **III. Estimating Expenditures**

Using the traditional budgeting approach, each key department head would receive a departmental budget request form for each function showing actual expenditures by object code for the previous year and the projected current year expenditures. These amounts can be obtained from the accounting records. Blank lines in the "Proposed Budget" column enable the department head to fill in budget request data for the subsequent year. (See Example B-1)

Once the departmental budget requests forms are returned to the business manager they should be consolidated onto a form similar to that shown in Example B-3. This

is the form that will be presented to the school board as the Proposed Budget. The Proposed Budget, along with the estimated Means of Finance, needs to be presented to the board in May so that hearings on the proposed budget can be held, not later than August 1.

#### IV. Estimating the Means of Finance

While the department heads are working on the proposed expenditure budget, a worksheet should be prepared describing the means of financing the proposed expenditure by fund. The previous year's actual revenues and the projected current year's revenues form a data base from which estimates of revenues for the ensuing fiscal year can be made (See Example B-2). The estimates should be made after considering prior years' experience and trends and grant amounts for which applications have been made. The budgeted means of finance is posted to the Revenue Budget Record.

The estimated revenues should be computed and when subtracted from the planned total expenditures would indicate the balance of other revenues and applied cash which need to be generated in order to balance the budget. Obviously, if the other revenues and cash to apply to the budget are insufficient to balance the budgeted expenditures, budgeted expenditure cuts will have to be implemented or additional revenue sources will need to be found.

#### V. Presentation and Publishing Requirements

The proposed budget shall be presented to the governing board not later than the regular meeting in the month of May.

SDCL 13-11-2 requires that the proposed budget and notice of hearing on the proposed budget be published prior to July 15.

The School Accounting Manual, Section VI illustrates a form that can be used to publish the proposed budget and illustrates a sample notice of hearing.

#### VI. Adoption of the Annual Budget

As new information becomes available, such as approved teachers contracts or new grant programs awards, the proposed expenditures should be adjusted. The means of finance also requires adjustment to maintain a balanced budget. SDCL 13-11-2 requires any changes from the published proposed budget to derive the final budget be published in the minutes within thirty days after the budget is adopted. It also requires the school board to adopt a budget for all funds, except Trust and Agency



Funds, before October 1 and to adopt a tax levy, in dollars, to meet the budget. An example of a resolution adopting the annual budget is illustrated in Section VI.

SDCL 13-11-3 requires the business manager report the tax request to the county auditor by October 1. Neither the business manager nor the superintendent can change the tax levy amount adopted by the school board.

SDCL 13-11-2.1 allows the school board to include in the budget a line item for contingencies not to exceed 5 percent of the total school district budget. Since this line item represents additional spending authority, no expenditures may be charged directly against this line item. The school board can authorize a "Contingency Transfer" to any other budget line item or fund, except the Capital Outlay Fund, by a motion, recorded in the minutes (See example B-6). If the transfer is to another fund, a cash (operating) transfer may also be needed to fund the additional spending authority.

SDCL 13-11-3.2 allows the school board by resolution to supplement the budget when they have failed to provide for an expenditure in the original budget. There must be a means to finance the supplemental budget, whether unobligated funds on hand or unanticipated revenue. The supplement needs to identify the proposed expenditure by service area and object level and the funding source. All supplements must be posted to the expenditure budget and revenue budget records. (See example B-7 for the forms needed for support and publishing the supplement.) Budget transfers between line items are not allowed.

SDCL 13-16-3 defines the General Fund as the fund provided by law to meet all the operational costs of the school district except for those to be paid from the capital outlay or special education fund. All expenditures for minor grants may be made from the General Fund even if they contain some capital purchases.

## VII. Monitoring Budget

Each of the following parties has a role in monitoring the budget:

1. Business Manager - Information Flow
2. Governing Body - Overview and Adoption
3. Business Manager and Department Head (principal)-- Day-to-Day Monitoring

As you can see, monitoring the budget is a joint responsibility with the bulk of it resting with the department head.



Two important phases in the budget cycle include budget preparation and budget monitoring. Budget preparation is important because it pulls together all of the resources to finance the plan for the year. Budget monitoring should include a good hard look at your budget around APRIL. This is early enough to provide sufficient time to adjust the budget accordingly. Remember, budgets lapse at year end.

BUDGET vs. CASH - It is important to recognize the relationship between budget and cash. They are separate and distinct, yet they complement each other. For example:

1. You can have a million dollars in cash but unless you have a budget you cannot spend a cent.
2. You can have a million dollars in budget but unless you have the cash in support you cannot spend a cent.

**FY 20xx Budget Worksheet  
By Object Coding**

	<b>Prior Year Disbursements</b>	<b>Projected Current Year Expenditures</b>	<b>Proposed Budget</b>
Function 1110 Elementary Programs			
Object:			
100 Salaries			
111 Teacher Salaries	\$ 305,678.00	\$ 355,285.00	\$ 390,300.00
115 Aides and Secretaries	55,983.00	59,760.00	68,700.00
120 Temporary Salaries	3,098.00	3,380.00	3,500.00
140 Compensated Absence Salaries			
Total Salaries	<u>364,759.00</u>	<u>418,425.00</u>	<u>462,500.00</u>
200 Benefits			
210 OASI	25,497.00	29,676.00	33,000.00
220 Employee's Retirement System	18,083.00	20,752.00	19,500.00
230 Group Health	19,678.00	21,587.00	23,000.00
240 Workmen's Comp	645.00	758.00	800.00
250 Unemployment Insurance	398.00	467.00	500.00
Total Benefits	<u>64,301.00</u>	<u>73,240.00</u>	<u>76,800.00</u>
300 Purchased Services			
334 Travel	398.00	450.00	500.00
373 All Other – Tuition	3,570.00	3,980.00	4,500.00
Total Purchased Services	<u>3,968.00</u>	<u>4,430.00</u>	<u>5,000.00</u>
400 Supplies and Materials			
410 Supplies	8,759.00	9,875.00	11,800.00
420 Textbooks	9,468.00	10,268.00	12,000.00
Total Supplies and Materials	<u>18,227.00</u>	<u>20,143.00</u>	<u>23,800.00</u>
600 Other Objects			
640 Dues and Fees	660.00	760.00	800.00
TOTAL FOR FUNCTION	<u>\$ 451,915.00</u>	<u>\$ 516,998.00</u>	<u>\$ 568,900.00</u>

Example B-2

**HOME SCHOOL DISTRICT NO. 100-10**  
**20xx BUDGET**  
**MEANS OF FINANCE**

	<b>GENERAL FUND</b>		
	<b>Prior Year Revenue</b>	<b>Projected Current Year Revenue</b>	<b>Estimated Budget Year Revenue</b>
Estimated Fund Balance, June 30, 20xx to Finance FYxx Budget			\$ 69,800.00
Actual and Estimated Revenue:			
1000 Revenue from Local Sources			
1100 Revenue from Local Sources			
1111 Ad Valorem Taxes (two halves of levy)	\$ 538,453.00	\$ 603,728.00	631,670.00
1112 Ad Valorem Taxes (Mobile Home Only)	7,894.00	8,578.00	10,100.00
1120 Prior Year's Ad Valorem Taxes	44,365.00	45,759.00	48,000.00
1130 Tax Deed Revenue	863.00	953.00	1,000.00
1140 Gross Receipts Tax	25,387.00	27,649.00	29,000.00
1190 Penalties and Interest on Taxes	9,471.00	10,879.00	12,000.00
Total Taxes	626,433.00	697,546.00	731,770.00
1300 Tuition and Fees			
1310 Regular Day School Tuition	30,893.00	31,867.00	32,000.00
1500 Earnings on Investments and Deposits			
1510 Interest Earned	4,623.00	5,798.00	5,000.00
1700 Cocurricular Activities			
1710 Admissions	6,916.00	7,025.00	7,100.00
1900 Other Revenue from Local Sources			
1910 Rentals	5,034.00	5,176.00	5,300.00
Total Revenue from Local Sources	673,899.00	747,412.00	781,170.00
2000 Revenue from Intermediate Sources			
2100 County Sources			
2110 County Apportionment	30,785.00	31,985.00	33,000.00
3000 Revenue from State Sources			
3100 Grants-in-Aid			
3110 Unrestricted Grants-in-Aid			
3111 State Aid - (Note 1)	367,138.00	368,957.00	371,000.00
3112 State Apportionment	56,015.00	56,489.00	57,000.00



3114 Bank Franchise Tax	813.00	867.00	900.00
Total Unrestricted Grants-in-Aid	<u>\$ 423,966.00</u>	<u>\$ 426,313.00</u>	<u>\$ 428,900.00</u>

## Example B-2

**HOME SCHOOL DISTRICT NO. 100-10**  
**20X1 BUDGET**  
**MEANS OF FINANCE**  
**(continued)**

	<b>GENERAL FUND</b>		
	<b>Prior Year Revenue</b>	<b>Projected Current Year Revenue</b>	<b>Estimated Budget Year Revenue</b>
3120 Restricted Grants-in-Aid			
3122 Vocational Education	6,739.00	6,897.00	7,000.00
Total Grants-in-Aid	<u>430,705.00</u>	<u>433,210.00</u>	<u>435,900.00</u>
4000 Revenue from Federal Sources			
4100 Grants-in-Aid			
4120 Unrestricted Grants-in-Aid Received from Federal Government through State			
4122 Taylor Grazing	7,792.00	7,894.00	138,000.00
4170 Restricted Grants-in-Aid Received from Federal Government through State			
4173 Education Consolidation and Improvement Act Title I	23,892.00	24,368.00	33,000.00
4174 Education Consolidation and Improvement Act Title VI	7,763.00	7,846.00	8,000.00
Total Grants-in-Aid	<u>39,447.00</u>	<u>40,108.00</u>	<u>179,000.00</u>
TOTAL MEANS OF FINANCE	<u>\$1,174,836.00</u>	<u>\$1,252,715.00</u>	<u>\$1,498,870.00</u>

Note 1 - If your School is at the maximum levy for FY 2013, the school district property taxes plus state aid will equal \$4,490.92 X ADM

**HOME SCHOOL DISTRICT NO. 100-10**  
**General Fund**  
**20xx Proposed Budget by Function**

	<u>Prior Year Expenditures</u>	<u>Projected Current Year Expenditures</u>	<u>Amount Requested</u>	<u>Amount Approved by School Board</u>
1000 Instruction:				
1100 Regular Programs:				
1110 Elementary Programs	\$ 451,915.00	\$ 516,998.00	\$ 568,900.00	\$
1130 High School Programs	313,783.00	351,465.00	359,640.00	
1200 Special Programs:				
1270 Programs for Educationally Deprived	21,478.00	23,678.00	25,000.00	
Total Instruction	<u>787,176.00</u>	<u>892,141.00</u>	<u>953,540.00</u>	<u>0.00</u>
2000 Support Services:				
2300 Support Services--General Administration				
2310 Board of Education Services	37,147.00	45,639.00	50,600.00	
2320 Executive Administration Services	39,369.00	40,268.00	41,400.00	
2500 Support Services--Business:				
2520 Fiscal Services	37,321.00	39,904.00	42,260.00	
2540 Operation and Maintenance of Plant Services	165,518.00	174,337.00	184,600.00	
2550 Pupil Transportation Services	108,405.00	113,529.00	117,870.00	
Total Support Services	<u>387,760.00</u>	<u>413,677.00</u>	<u>436,730.00</u>	<u>0.00</u>
4000 Nonprogrammed Charges:				
4100 Payments to Other Governmental Units (Within the State)	5,327.00	5,879.00	6,100.00	
6000 Cocurricular Activities:				
6100 Male Activities	8,184.00	8,337.00	8,500.00	
6200 Female Activities	5,092.00	5,281.00	5,400.00	
6500 Transportation for Cocurricular Activities	1,505.00	1,648.00	1,800.00	
Total Cocurricular Activities	<u>14,781.00</u>	<u>15,266.00</u>	<u>15,700.00</u>	<u>0.00</u>
7000 Contingencies			78,800.00	
8000 Other Uses:				
8100 Other Financing Uses:				
8110 Operating Transfer Out to Food Service	5,000.00	5,000.00	8,000.00	
TOTALS	<u>\$1,200,044.00</u>	<u>\$1,331,963.00</u>	<u>\$1,498,870.00</u>	<u>\$ 0.00</u>

**Example B-4****TOO MUCH CASH**

**CIRCUMSTANCES** - The General Fund's cash balance is too high and bordering on having "surplus" cash. The school district has been frugal with its expenditures and revenues have come in higher than expected. The result is that on June 30 the school has excess cash that it wants to apply to next year's budget.

<b>Fund balance applied</b>	<b>\$ 50,000</b>
Property taxes	700,000
State aid	200,000
Misc. revenue	50,000
	-----
Total Revenue	\$ 1,000,000
	=====
 Instruction	 \$ 400,000
Support services	200,000
Cocurricular	400,000
	-----
Total Expenditures	\$ 1,000,000
	=====

A positive cash applied balance in the revenue budget sends the message that a portion of the expenditures for the upcoming budget year will be paid from cash on hand. This is a common occurrence in school districts because in the previous year the expenditures usually come in under budget and the revenues usually come in over budget. This results in cash on hand at the end of the year that may be used to finance the upcoming budget year.

The key element is to recognize how much extra cash is available and then applying it so that a "surplus" does not occur.



**Example B-5A****TOO LITTLE CASH**

CIRCUMSTANCES - The General Fund's cash balance is low forcing the school to borrow at certain times each year. The school board wants to pursue a policy of having enough cash on hand to meet all obligations. They do not want to have to borrow money each year.

<b>Fund balance applied</b>	<b>\$ (50,000)</b>
Property taxes	700,000
State aid	300,000
Misc. revenue	50,000
	-----
Total Revenue	\$ 1,000,000
	=====
Instruction	\$ 400,000
Support services	200,000
Cocurricular	400,000
	-----
Total Expenditures	\$ 1,000,000
	=====

A negative cash applied in the budget forces the other revenue budget lines to be higher, thereby, meeting the goals of raising additional cash for the school. The overall picture for the fund still recognizes that total revenue equals total expenditures.

**Example B-5B****BUDGETED TRANSFERS**

**CIRCUMSTANCES** - The burdens placed on the Special Education Fund have grown. The Special Education levy and other sources cannot keep up with the demands. To provide the necessary resources to finance the Special Education Fund, the school will have to go to the General Fund. Below is a summary of how the budgets of these two funds would look:

	<b>GENERAL</b>	<b>SPECIAL EDUCATION</b>
	-----	-----
Fund balance applied	\$ 50,000	\$ -0-
Property taxes	700,000	30,000
State aid	200,000	10,000
Misc. revenue	50,000	5,000
<b>Transfers-In</b>	<b>-0-</b>	<b>50,000</b>
	-----	-----
Total revenue	\$ 1,000,000	\$ 95,000
	=====	=====
Instruction	\$ 400,000	\$ 80,000
Support services	200,000	15,000
Cocurricular	350,000	-0-
<b>Transfers-Out</b>	<b>50,000</b>	<b>-0-</b>
	-----	-----
Total Expenditures	\$ 1,000,000	\$ 95,000
	=====	=====

Notice how a transfer-out of \$50,000 was placed in the General Fund expenditure budget. This forces the General Fund to raise additional revenues to balance its budget.

Also, notice how a transfer-in of \$50,000 was placed in the Special Education revenue budget. This will increase the revenue side of the Special Education budget allowing it to balance with the projected costs.

**Example B-6****Contingency Line Item (Budget) Transfers:**

Resolution by XX seconded by XX to transfer \$26,700 from the contingency line item to the following funds and budget line items:

## General Fund:

2549	Operation and Maintenance of Plant	\$ 4,200.00
		=====

## Special Education Fund:

1221	Programs for Students with Mild to Moderate Disabilities	\$19,500.00
2559	Student Transportation Services	3,000.00
		-----
	Total Special Education Fund	\$22,500.00
		=====

Motion by XX seconded by XX to transfer \$22,500 cash from General Fund to the Special Education Fund to finance the contingency transfer.

**Example B-7****ADOPTION OF SUPPLEMENTAL BUDGET:**

Let it be resolved, that the school board of the \_\_\_\_\_ School District, in accordance with SDCL 13-11-3.2 and after duly considering the proposed supplemental budget, hereby approves and adopts the following supplemental budget in total:

General Fund

## Appropriations:

1273	Helping Disadvantaged Children Meet High Standards	\$40,000.00
2542	Care and Upkeep of Buildings Services	5,000.00
		-----
	Total Appropriations	\$45,000.00
		=====

## Means of Finance:

4158	Title I	\$40,000.00
	Unobligated Cash	5,000.00
		-----
	Total Means of Finance	\$45,000.00
		=====



# End of Year GL Entries

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Debit and Credit – does a debit entry increase or decrease account?

Accounts Receivable

Accounts Payable

Property Taxes

Utility Taxes

## GENERAL JOURNAL

As discussed earlier, the General Journal used to record transactions that do not involve either the receipt or disbursement of cash, such as entries affecting the budgetary accounts, or interfund transfers. Normally, there will be very few entries made in the General Journal during the year. When an entry is made, though, it should be posted to the General Ledger and/or budget records, as applicable, as soon as possible. A good computer fund accounting system should have a General Journal application that is integrated with the rest of the system.

Unlike the special journals (the CRJ and the CDJ), the General Journal is never totaled. Each entry must contain one or more debit amounts that equal one or more credit amounts to the same fund. The journal entries should have specific posting identification such as General Journal entry number or page. Also, the date should be noted, and the account names should be listed, as well as the fund and account numbers. It is a good practice to leave the posting reference column (fund and account numbers) blank until each part of the entry is posted to the book(s) of final entry. And, don't forget to write a good EXPLANATION of the entry. If your computer application does not allow adequate space for explanations, write the explanation on the printout.

There are special names for certain types of General Journal entries. They are correcting entries, adjusting entries, closing entries, reversing entries, and memorandum (memo) entries.

Correcting entries are made to correct the account balances whenever a posting error is discovered. The error may have occurred when the original journal entry was made by noting the incorrect account code, or may have occurred for some other reason. The explanation identifies correcting entries by beginning "To correct..." and then going on to describe the nature of the error being corrected.

Adjusting entries are made to adjust the balances in the accounts, in order to bring them up-to-date, prior financial statement presentation. Adjusting entries normally are prepared to reflect amounts in the accounts for such things as accruals--revenue earned during a period, but not collected, and expenditures/expenses incurred but not paid; or deferrals--the assignment of expired costs to the current period resulting from depreciation, the consumption of supplies, or the expiration of insurance policies, for example. Normally, it is not convenient for the business manager to make these kinds of entries on a day-to-day basis.

Closing entries are the last entries made at the end of the fiscal year. They are made in order to clear the balances from the revenue and expenditure/expense accounts in order to prepare them for accumulating data during the next fiscal year, and to update the balances in the fund equity accounts. Closing entries are the only regularly used General Journal entries that do not require explanations, provided the term "CLOSING ENTRIES" is written in the General Journal account description/explanation area immediately preceding the closing entries.



Reversing entries are always optional, but when utilized, are the first entries made at the beginning of the next fiscal year. Reversing entries should only be made when they save time or otherwise simplify the day-to-day accounting process. Reversing entries get their name from the fact that they reverse the debits and credits made when certain types of adjusting entries are made. Any accrual may or may not be reversed, at the option of the accountant. Deferrals, such as depreciation (long-term cost apportionments) are never reversed, but other types of deferrals (short-term cost apportionments that create current asset account balances) may, and probably should be reversed.

Opening entries are an additional type of entry, and, if made, should precede the reversing entries, if any. Opening entries are used when it is desired to bundle up each year's accounting records and store them away. The post-closing balances (financial statement balances from the balance sheet) are entered in the General Journal to transfer them to the new General Ledger pages. Explanations may be omitted from opening entries, if an appropriate heading is used in the General Journal, such as "OPENING ENTRIES."

### ADJUSTING AND CLOSING ENTRIES

During the fiscal year, transactions are generally recorded as they occur. The accounting basis recommended to be used is the modified accrual basis for governmental and similar trust funds, and the accrual basis for the proprietary and similar trust funds. Under the modified accrual basis, expenditures incurred during the fiscal year (note that they are not necessarily "paid") are matched with revenues earned (not necessarily collected) which will be used to finance those expenditures. Under the accrual basis, revenues are recorded when earned, and expenses are recognized when the related liability is incurred. Different accounting results may be obtained if a different accounting basis is followed. For example, under the cash basis of accounting revenues and expenditures are recognized only when cash has been paid or collected, and at no other time.

At the end of the fiscal year, the ledger accounts may not be complete, or up-to-date. Some new accounts may need to be added to the books, and others must be brought up-to-date. The process of bringing the accounts up-to-date is called the adjusting process.

The adjusting process updates the revenue and expenditure/expense account balances in order to obtain a more accurate measure of the results of operations. Adjusting entries are recorded in the General Journal as a result of the adjustment process.

Adjusting entries have a different purpose than normal day-to-day entries. Normal transactions are recorded within the fiscal year in which they occur. Adjusting entries deal with continuous transactions. For example, wages may have been earned by certain employees on a daily, or even hourly basis, but, because payday may not fall on the last day of the fiscal year, the related wage expenditure/expenses (and related liability) should be recognized in the fiscal year in



which the employee earned a right to receive pay. This type of adjustment is called an accrual. On the other hand, office supplies from inventory might have been used during the year, and need to be charged to an appropriate expenditure/expense account. This type of adjustment is called a deferral (or a cost apportionment). Either or both revenues and expenditures/expenses may be accrued or deferred.

The closing entries reduce the account balance to zero for all revenue and expenditure/expense accounts, for each fund. Those accounts with debit balances (usually the expenditures/expenses) are credited in the amount of their balance, and those accounts with credit balances (usually revenues) are debited for the same amount. The net effect (difference between debits and credits) of the closing process is either debited or credited to the fund balance/retained earnings account, as appropriate, in order to make the closing entry balance for each fund. The term "Closing Entries" should be written in the General Journal, in the description space on the first unused line after the last adjusting entry.

Usually in practice, the adjusting and closing entries are made directly to the general ledger with trial balances taken by adding machine tape or through the use of computer edits. Another method to record adjusting and closing entries is through the use of trial balance worksheets which are explained in most accounting principles text books. All of this documentation must be detailed and retained for audit purposes.

Financial statements can be prepared from the amounts in the General Ledger and Revenue and Expenditure Budget Records.

### GENERAL LEDGER

The General Ledger is called the book of final entry. It contains summaries of all transactions affecting each account of each fund for the entire accounting period (fiscal year).

The General Ledger contains a self-balancing set of accounts for each fund operated by the school district. The general ledger should be balanced by fund every month. The number and nature of accounts required for each fund are dependent upon the fund type, and the level of detail required or desired for management and control purposes. Agency funds normally have only two accounts, namely, "Cash" and "Amounts Held for Others." The General Fund, on the other hand, may contain many individual accounts. No matter how many accounts are needed for any one fund, the basic accounting equation holds true --  $\text{Assets} = \text{Liabilities} + \text{Equity} (+ \text{Revenues} - \text{Expenditures})$ . The accounts are normally arranged by fund in the order they are required for the annual financial statements (this is usually assets, liabilities, equity, revenues, expenditures). This makes financial statement preparation easier.

As mentioned above, the General Ledger consists of "control" accounts. A control account is any account that controls, or is supported by, a number of other accounts in a separate record.

The "Revenues" account and the "Expenditures" account in the General Ledger are said to "control" the balances in the Revenue and Expenditure Budget Records (subsidiary ledgers), respectively. The balance in the appropriate control account must equal the total of the actual revenues or expenditures at all times. If equality is lost, the amount of the difference tells you that a posting error was made.

Control accounts are not required to be used, but generally their use helps to keep the ledger to a manageable size. You will notice, that the general ledger for the food service fund does not utilize control accounts for revenues or expenses. That is because there are no few of these types of accounts. But, imagine what the ledger would be like if the General Fund was set-up this way. More than one hundred accounts would be required to keep the detail necessary for the annual report. Control accounts, like any other accounting tool, are used only when they simplify, or make easier, the accounting function. Computers do not care about the volume of accounts they have to manage, provided they have enough RAM and data storage capacity, so control accounts will generally not be found in automated General Ledger systems.

## EOY Entries for Utility Taxes

1) <b>GJ entry for utility taxes that <u>WILL be paid</u> to the district in July &amp; August, 2018</b>		Entry to recognize utility tax revenue receivable
		Electric Utility - paid by Counties in July
		Telephone Utility - Paid by the DRR in August
Debit	10,140	
Credit		10,1140
<b>OR</b>		
		This entry is used ONLY if the utility tax revenue does <b>NOT</b> meet the district's period of availability
Debit	10,140	
Credit		10,552

Other common end of the year general journal entries are posted on DOE website:

<http://www.doe.sd.gov/ofm/schfinance.aspx>

# Annual Financial Reporting

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## DOE annual report

- Timeline for submission
- What is included
- Process to remit to DOE



## **Annual Financial Report**

### *Data File:*

The specifications for the data upload format are available on the below web site:

<http://www.doe.sd.gov/ofm/schfinance.aspx>

DOE does work with Software Unlimited or any other financial software vendor on any changes to this format and if using Software Unlimited the download from your data system is aligned to our specifications.

### *Submission Timelines & Deadlines:*

School districts are notified of their logins (passwords can be set temporarily and then reset by the school district administrator) in June. District may begin to enter or upload their data files in July. Data must be uploaded and approved by August 30<sup>th</sup> or penalties may be imposed (see below statute):

13-13-38. Determination of foundation program funds due school districts--Information required from counties and districts--Delinquency--Forfeited funds. The Department of Education shall determine on December first, or as soon thereafter as practicable, of each school fiscal year the amount of foundation program funds to which each school district within the state is eligible. The department shall require from any county or school district officer any information which is necessary in order to apportion foundation program funds. If complete and accurate information is past due according to the reporting dates specified in § 13-8-47, the secretary of the Department of Education on August thirtieth shall declare the school district to be fiscally delinquent. The school district, unless granted an extension, shall forfeit from its entitlement one hundred dollars for each day that the data is past due for seven days and two hundred dollars for each day past due thereafter starting with the eighth day. Forfeited funds shall be deposited in the foundation program fund established by § 13-13-12.

A school business official MUST sign off on their report before it is reviewed by DOE.

Starting in FY2015 all districts are required to submit monthly cash fund balances for the general, capital outlay, special education and pension funds. Penalties for an excess general fund monthly cash balance will be determined based on the 2017-2018 financial data reported by the school district – if penalized a district's state aid in FY2019 will be reduced by the amount of the excess.

Also starting in FY2016 – districts began reporting their teacher compensation. Accountabilities were put in place to ensure increases were made and now maintained for teacher compensation. There are no accountabilities for FY2018 but for FY2019 the district must report an average teacher compensation that is equal or greater than the average teacher compensation reported in FY2017. Penalty for not meeting this accountability is \$500 per teacher.

*Accountability Waiver:*

If a school district did not meet the accountability thresholds a waiver may be submitted to the School Finance and Accountability Board. This waiver form is available via the annual report when the data is final. Questions regarding the accountabilities and/or the appeal process may be directed to our office at 773-3248.

*EOY Reports Available:*

Various reports are available on AFR (Annual Financial Report) to review data uploaded. First the data must “balance” and meet certain edit checks before it is permitted to be uploaded. Once the file is uploaded the district has available various data verification and error reports to view the data uploaded. Each district business official should access these data reports and review their data before signing off on their data.

*Verification Process:*

Once the district has successfully uploaded and signed off on their annual financial reports DOE will begin their review. First it is assigned to a reviewer; either Bobbi or Susan; the reviewer will then complete a data check of the report and if all appears to be appropriate and correct the DOE reviewer will approve the report. If there are any questions the reviewer will contact the district for clarification and if necessary make the appropriate corrections as directed by the district.

Once ALL districts have submitted their data again DOE will do several data edit checks on the complete data file. Once we have completed this process the districts are notified to once again review the annual data (with corrections if needed) and authorize DOE to use the data for federal reporting purposes, state aid calculations, statistical reporting, etc. This final step in the verification process is usually done in late September or early October.

When DOE has received the signed verification form from all districts we will then begin the process of compiling all the data. Data will be used for the statistical digest, federal reporting and if needed final computations for state aid (determination of SE fund balance penalties, etc.).

*ESSA Reporting Begins in FY2019:*

Using a template provided by DOE the district business manager will be asked to determine a cost per student, by district and by school. Further these cost per student must be further broken down into: PPE using state/local funds and PPE using federal funds.

After completion of the calculations the district will enter the data to a survey available on the annual report program. All districts will be submitting their data based on the 2018-2019 school year. This year is a test to work out any issues; next year, FY2020 the data reported will be linked to the school district report card and released to the public.